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**LIVINGSTON PARISH
SEWER DISTRICT NUMBER ONE**
DENHAM SPRINGS, LOUISIANA

ANNUAL FINANCIAL REPORT

December 31, 2001 and 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/3/02

Leroy J. Christy
Certified Public Accountant, APAC

**LIVINGSTON PARISH
SEWERAGE DISTRICT NUMBER ONE
DENHAM SPRINGS, LOUISIANA**

**General Purpose Financial Statements
and Independent Auditor's Reports**

**As of and for the Years Ended December 31, 2001 and 2000
With Supplemental Information Schedules**

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Sewerage District Number One
Denham Springs, Louisiana

I have audited the accompanying general purpose financial statements of **Livingston Parish Sewerage District Number One**, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the years ended December 31, 2001 and 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of **Livingston Parish Sewerage District Number One's** management. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of **Livingston Parish Sewerage District Number One** as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 8, 2002, on my consideration of **Livingston Parish Sewerage District Number One's** internal control structure and a report dated May 8, 2002, on its compliance with laws and regulations.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
May 8, 2002

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Livingston Parish Sewerage District Number One
Denham Springs, Louisiana**

I have audited the financial statements of Livingston Parish Sewerage District Number One, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the year ended December 31, 2001, and have issued my report thereon dated May 8, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Livingston Parish Sewerage District Number One's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Livingston Parish Sewerage District Number One's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving internal control that I have reported to management in a separate letter dated May 8, 2002.

This report is intended solely for the information and use of Livingston Parish Sewerage District Number One's management, pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
May 8, 2002

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 2001 AND 2000

<u>ASSETS</u>		
	<u>2001</u>	<u>2000</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 283,418	\$ 313,475
Prepaid insurance	<u>4,302</u>	<u>3,088</u>
Total current assets	287,720	316,563
RESTRICTED ASSETS		
Revenue bond sinking fund	61,525	56,636
Revenue bond reserve fund	23,484	22,300
Depreciation and contingency fund	<u>34,436</u>	<u>32,102</u>
Total restricted assets	119,445	111,038
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	55,432	55,432
Plant and facilities (net)	<u>872,583</u>	<u>849,732</u>
Total property, plant, and equipment	928,015	905,164
OTHER ASSETS		
Deposits	<u>160</u>	<u>160</u>
TOTAL ASSETS	<u><u>\$1,335,340</u></u>	<u><u>\$1,332,925</u></u>

See accompanying notes to the financial statements.

STATEMENT A

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 2001 AND 2000

LIABILITIES AND FUND EQUITY

	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES		
Accounts payable	\$ <u>710</u>	\$ <u>7,055</u>
Total current liabilities	710	7,055
CURRENT LIABILITIES (Payable from restricted assets)		
Accrued interest payable	18,387	19,313
Loan payable - 1984 series - current portion	5,947	5,629
Loan payable - 1997-A series - current portion	<u>11,000</u>	<u>10,000</u>
Total current liabilities (Payable from restricted assets)	35,334	34,942
LONG-TERM LIABILITIES		
Loan payable - 1984 series	239,178	245,127
Loan payable - 1997-A series	<u>149,000</u>	<u>160,000</u>
Total long - term liabilities	<u>388,178</u>	<u>405,127</u>
Total liabilities	<u>424,222</u>	<u>447,124</u>
FUND EQUITY		
Contributed capital	946,707	946,707
Retained earnings	<u>(35,589)</u>	<u>(60,906)</u>
Total fund equity	<u>911,118</u>	<u>885,801</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,335,340</u>	<u>\$1,332,925</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Denham Springs, Louisiana

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS

For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>OPERATING REVENUES</u>		
Sewer fees	\$ 168,622	\$ 160,749
<u>OPERATING EXPENSES</u>		
Salaries and related benefits	33,478	29,036
Interest	21,846	22,969
Depreciation	37,067	34,796
Systems maintenance	55,476	56,937
Professional fees	8,535	10,956
Insurance	11,529	9,535
Per diem	2,040	3,000
Office supplies	102	190
Miscellaneous	<u>745</u>	<u>256</u>
Total operating expenses	<u>170,818</u>	<u>167,675</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>(2,196)</u>	<u>(6,926)</u>
<u>OTHER REVENUES</u>		
Interest	16,038	15,813
Permits/Inspection Fees	1,850	1,225
User fees	9,625	3,575
Miscellaneous	<u>- 0 -</u>	<u>320</u>
Total other revenue	27,513	20,933
<u>NET INCOME (LOSS)</u>	<u>25,317</u>	<u>14,007</u>
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>885,801</u>	<u>871,794</u>
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$ 911,118</u>	<u>\$ 885,801</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Denham Springs, Louisiana

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001 and 2000
Increase (Decrease) in Cash and Cash Equivalents

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (2,196)	\$ (6,926)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	37,067	34,796
(Increase) decrease in prepaid expenses	(1,214)	-0-
Increase (decrease) in accrued liabilities	<u>(7,270)</u>	<u>277</u>
Net cash provided (used) by operating activities	<u>26,387</u>	<u>28,147</u>
Cash flows from investing activities:		
Purchase of property and equipment	(59,918)	<u>(7,074)</u>
Purchase of investments	<u>(148,748)</u>	<u>(139,785)</u>
Net cash provided (used) by investing activities	<u>(208,666)</u>	<u>146,859</u>
Cash flows from capital financing activities:		
Principal payments	(15,631)	(15,362)
Interest	16,038	15,813
Permits/Inspection fees	1,850	1,225
User fees	9,625	3,575
Miscellaneous	-0-	320
Net cash provided (used) by capital financing activities	<u>11,882</u>	<u>5,571</u>
Net increase (decrease) in cash and equivalents	(170,397)	(113,141)
Cash and cash equivalents, beginning of year	<u>281,597</u>	<u>394,738</u>
Cash and cash equivalents, end of year	<u>\$ 111,200</u>	<u>\$281,597</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 22,772	\$ 23,641
Income taxes	\$ -0-	\$ -0-

See accompanying notes to the financial statements.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Denham Springs, Louisiana
Notes to the Financial Statements
For the Years Ended December 31, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sewerage District Number One, Denham Springs, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on October 26, 1974, pursuant to the provisions of R.S. 33:3811, et. seq., of the Louisiana Revised Statutes of 1950.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government. The District has elected to apply FASB statements issued after November 30, 1989.

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units which should be included within the reporting entity. The reporting entity for Livingston Parish includes the component unit with oversight responsibility, and other governmental entities within the parish for which the police jury has oversight responsibility. Oversight responsibility is determined on the basis of the following criteria:

1. Financial interdependency
2. Selection of governing authority
3. Designation of management
4. Ability to significantly influence operations
5. Accountability for fiscal matters
6. Scope of public service
7. Special financing relationship

Based on the previous criteria, the Livingston Parish Police Jury has determined that Sewerage District Number One is part of the reporting entity based on Criteria 2, 4, and 6.

The accounting policies of Sewerage District Number One conform to generally accepted accounting principles. The following is a summary of the significant policies.

A. *FUND ACCOUNTING - PROPRIETARY FUND TYPE*

The Sewerage District Number One is an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. *FIXED ASSETS AND LONG-TERM LIABILITIES*

All fixed assets are valued at historical costs. It is the policy of the sewerage district to capitalize interest costs incurred during the period of construction. No interest was capitalized during 2001 or 2000.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. All infrastructure assets are accounted for and depreciated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary funds balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives for plant and facilities is forty years.

C. *BASIS OF ACCOUNTING*

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. *CASH*

Cash includes demand deposits and interest bearing demand deposits which are fully secured through the pledge of bank-owned securities or federal deposit

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

insurance. For purposes of the statement of cash flows, the sewerage district considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Under state law, the district may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At December 31, 2001 and 2000, the district had cash and cash equivalents (book balances) totaling \$402,864 and \$424,513 respectively.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance of the pledge of securities owned by the fiscal agent bank. The market value or the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposits (bank balances) at December 31, 2001 and 2000, are secured as follows:

	<u>December 31,</u>	
	<u>2001</u>	<u>2000</u>
Bank balances	<u>\$ 405,611</u>	<u>\$ 425,704</u>
Federal deposit insurance	\$ 165,060	\$ 175,305
Pledged securities	<u>240,551</u>	<u>250,399</u>
Total insurance and securities	<u>\$ 405,611</u>	<u>\$ 425,704</u>
Unsecured deposits at 12/31	<u>\$ -0-</u>	<u>\$ -0-</u>

E. *BUDGET POLICY*

Each year the district adopts an annual operating cash basis budget. Periodic comparisons of budget to actual data are made. The budget is amended as required by the circumstances. Encumbrance accounting is not utilized. Appropriations lapse at year end.

F. *USE OF ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. **RESERVE REQUIREMENTS**

The district is required to maintain the following reserves by the Farmers Home Administration as a condition of the loans made to the sewerage district.

A. ***RESERVE BOND SINKING FUND***

Each month the district must transfer into the revenue bond sinking fund, a sum equal to one-twelfth of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same respectively become due. Said fiscal agent bank shall make available from the revenue bond sinking fund to the paying agent for all installments on the bond payable from said fund, at least ten days in advance of the date on which each payment of principal or interest falls due, funds fully sufficient to pay promptly the principal and interest so falling due on such date.

B. ***SEWERAGE SYSTEM REVENUE BOND RESERVE FUND***

Each month the district must transfer into the reserve fund, a sum equal to five per cent of the sum required to be transferred in each month into the revenue bond sinking fund as required in the reserve bond sinking fund, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bonds. The money in the reserve fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the revenue bond sinking fund as to which there would otherwise be default.

C. ***DEPRECIATION AND CONTINGENCY FUND***

Each month the district must transfer into the depreciation and contingency fund the sum of \$168.00. All monies in the depreciation and contingency fund may be drawn on and used by the district for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions; and the costs of improvements to the sewerage system which will either enhance its revenue producing capacity or provide a higher degree of service.

The district is required to maintain the following reserves in accordance with the 1997-A series bond resolution.

- A. **A Sewerage System Revenue Bond and Interest Sinking Fund (the "Revenue Bond Sinking Fund")**, sufficient in amount to pay promptly and fully the principle of and interest on the bond and unrefunded bond, including any

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

additional pari passu bonds issued hereafter in the manner provided in this resolution, as they severally became due and payable by depositing with the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) by transferring from said Revenue Fund to the Sinking Fund before the 20th day of each month of each year beginning on the first day of the month following delivery of the bond, a sum equal to one-twelfth (1/12) of the interest falling due on the next interest payment date and, in addition, a sum equal to one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum as may be required as the same respectively become due. Money in the Revenue Bond Sinking Fund shall be deposited as trust funds and shall be used solely and is hereby expressly and exclusively pledged for the purpose of paying principal of and interest on the bond and parity bonds.

Following the required payments to the Revenue Bond Sinking Fund, the monies remaining in the Revenue Fund shall be distributed in accordance with the following paragraphs:

- B. A "Sewerage System Revenue Bond Reserve Fund", by transferring to the regularly designated fiscal agent bank (which must be a member of the Federal Deposit Insurance Corporation) monthly in advance on or before the 20th day of each month of each year, a sum equal to five percent (5%) of the sum required in (b) above, the payments to continue until such time as there has been accumulated therein a sum equal to the highest combined principal and interest requirement in any succeeding fiscal year on the outstanding principal of the bond, the unrefunded bond and any additional parity bonds. The money in the Reserve Fund is to be retained solely for the purpose of paying the principal of and the interest on bonds payable from the Revenue Bond Sinking Fund as to which there would otherwise be default. In the event that additional pari passu bonds are issued hereafter in the manner provided by this resolution, there shall be transferred from the Sewerage System Revenue Fund into the Revenue Bond Sinking Fund, monthly or annually, such amounts (as may be designated in the resolution authorizing the issuance of such pari passu bonds) as will increase the total amount on deposit in the Reserve Fund within a period not exceeding five (5) years from the date of delivery of the parity bonds to a sum equal to the highest combined principal and interest requirements in any succeeding fiscal year on all outstanding bonds issued pursuant to the terms of this resolution, including such pari passu bonds.
- C. A "Depreciation and Contingency Fund", by transferring from the Sewerage System Revenue Fund on or before the 20th day of each month to the regularly designated fiscal agent bank of the District (which must be a member of the Federal Deposit Insurance Corporation) the sum equal to five percent (5%) of the

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

sums required to be transferred in each month into the Revenue Bond Sinking Fund, as required in (b) above, but not less than \$168 per month. All monies in the Depreciation and Contingency Fund may be drawn on and used by the district for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions; and the costs of improvements to the Sewerage System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Revenue Bond Sinking Fund and Sewerage System Revenue Bond Reserve Fund are insufficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Revenue Bond Sinking Fund and the Reserve Fund.

Restricted assets have been set aside in the current period as required by the applicable bond resolution in order to service the bonds payable.

3. CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in fixed assets.

	BALANCE <u>12/31/99</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/00</u>
Land	<u>\$ 55,432</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,432</u>
Plant and facilities	\$1,339,846	\$ 7,074	\$ -0-	\$1,346,920
Accumulated depreciation	<u>(462,392)</u>	<u>(34,796)</u>	<u>-0-</u>	<u>(497,188)</u>
Plant and facilities (net)	<u>\$ 877,454</u>	<u>\$ (27,722)</u>	<u>\$ -0-</u>	<u>\$ 849,732</u>

	BALANCE <u>12/31/00</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/01</u>
Land	<u>\$ 55,432</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 55,432</u>
Plant and facilities	\$ 1,346,920	\$ 59,918	\$ -0-	\$1,406,838
Accumulated depreciation	<u>(497,188)</u>	<u>(37,067)</u>	<u>-0-</u>	<u>(534,255)</u>
Plant and facilities (net)	<u>\$ 849,732</u>	<u>\$ 22,851</u>	<u>\$ -0-</u>	<u>\$ 872,583</u>

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Notes to the Financial Statements, Continued
December 31, 2001 and 2000

4. CHANGES IN LONG-TERM DEBT

The following is a summary of loan transactions of the sewerage district for the years ending December 31, 2001 and 2000:

	<u>LOAN R-1</u>	<u>1997-A</u>	<u>TOTAL</u>
Loans payable at December 31, 1999	\$256,118	\$180,000	\$436,118
New debt issued	-0-	-0-	-0-
Principal retired	<u>5,362</u>	<u>10,000</u>	<u>15,362</u>
Loans payable at December 31, 2000	<u>\$250,756</u>	<u>\$170,000</u>	<u>\$420,756</u>

	<u>LOAN R-1</u>	<u>1997-A</u>	<u>TOTAL</u>
Loans payable at December 31, 2000	\$250,756	\$170,000	\$420,756
New debt issued	-0-	-0-	-0-
Principal retired	<u>5,631</u>	<u>10,000</u>	<u>15,631</u>
Loans payable at December 31, 2001	<u>\$245,125</u>	<u>\$160,000</u>	<u>\$405,125</u>

Long-term debt consists of one loan made by the Sewerage District and held by the Farmers Home Administration. Loan R-1 in the amount of \$307,000 bears interest of five per cent per annum. Revenue Refunding Bonds Series 1997-A bears interest at six percent.

Repayment is to be made as follows:

A. *\$307,000 SEWERAGE SYSTEM LOAN NUMBER R-1*

Interest only on the first two annual payments starting on February 28, 1985.

Payments of \$18,206 annually thereafter on each February 28th until principal and interest are fully paid, except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable on the last annual payment date which is forty years from the date of the bond.

B. *\$198,000 REVENUE REFUNDING BONDS SERIES 1997-A*

Annual payments of \$18,405 to \$20,800 due on each February 28, beginning in 1998 and continuing until 2012.

The annual requirements to amortize all long-term debt outstanding at December 31, 2000, including interest of \$257,262 and at December 31, 2001, including interest of \$235,292 are as follows:

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

<u>2000</u>	<u>LOAN R-1</u>		<u>1997-A</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
<u>YEAR ENDED</u>					
2001	\$ 5,629	\$ 12,574	\$ 10,000	\$ 10,200	\$ 38,403
2002	5,947	12,256	11,000	9,600	38,803
2003	6,244	11,959	11,000	8,940	38,143
2004	6,556	11,647	12,000	8,280	38,483
2005	6,884	11,319	13,000	7,560	38,763
2006 through maturity	<u>219,496</u>	<u>124,307</u>	<u>113,000</u>	<u>28,620</u>	<u>485,423</u>
TOTAL	<u>\$250,756</u>	<u>\$184,062</u>	<u>\$ 170,000</u>	<u>\$ 73,200</u>	<u>\$ 678,018</u>

<u>2001</u>	<u>LOAN R-1</u>		<u>1997-A</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
<u>YEAR ENDED</u>					
2002	\$ 5,947	\$ 12,256	\$ 11,000	\$ 9,600	\$ 38,803
2003	6,244	11,959	11,000	8,940	38,143
2004	6,556	11,647	12,000	8,280	38,483
2005	6,884	11,319	13,000	7,560	38,763
2006	7,228	10,975	14,000	6,780	38,983
2007 through maturity	<u>212,266</u>	<u>114,136</u>	<u>99,000</u>	<u>21,840</u>	<u>447,242</u>
TOTAL	<u>\$245,125</u>	<u>\$172,292</u>	<u>\$160,000</u>	<u>\$63,200</u>	<u>\$640,417</u>

5. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant from the Environmental Protection Agency (EPA) in the amount of \$740,058 and a grant provided by the State of Louisiana in the amount of \$206,649.

6. PER DIEM PAID TO BOARD MEMBERS

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

Board members are appointed by the Livingston Parish Police Jury and serve at the pleasure of the police jury. There are no set terms of office. Board members are paid \$60 per diem for each meeting they attend.

2001

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Stephen H. Cutler, President Post Office Box 1205 Denham Springs, Louisiana 70727 (225) 665-8146	12	\$ 720
Cecil Thompson, Secretary Post Office Box 848 Denham Springs, Louisiana 70727 (225) 665-5306	12	\$ 720
Norman Breeland 9943 Country Club Road Denham Springs, Louisiana 70726	10	\$ 600

2000

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Stephen H. Cutler, President Post Office Box 1205 Denham Springs, Louisiana 70727 (225) 665-8146	17	\$1,020
Cecil Thompson, Secretary Post Office Box 848 Denham Springs, Louisiana 70727 (225) 665-5306	16	\$ 960
Norman Breeland 9943 Country Club Road Denham Springs, Louisiana 70726	17	\$1,020

7. INCOME TAXES

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

Notes to the Financial Statements, Continued

December 31, 2001 and 2000

Sewerage District Number One is exempt from all federal and state income taxes.

8. LITIGATION

According to legal counsel, there is no material pending litigation against the sewerage district.

9. RETIREMENT PLAN

Sewerage District Number One does not sponsor a retirement plan.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2001

I have audited the financial statements of Livingston Parish Sewerage District Number One as of and for the year ended December 31, 2001, and have issued my report thereon dated May 8, 2002. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2001, resulted in an unqualified opinion.

Section I Summary of Auditor's Results

	YES	NO	N/A
<i>Financial Statements</i>			
Internal control over financial reporting:			
Material weakness(es)		X	
Reportable condition(s)		X	
Noncompliance material to the financial statements		X	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified			X
Reportable condition(s) identified			X
Type of auditor's report on compliance for major programs			X
Any findings required to be reported by Section 510(a) of Circular A-133			X

Identification of Major Programs:

CFDA Number(s) _____ Name of Federal Program (or Cluster) _____

Not applicable

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No ☐ N/A

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE
Schedule of Findings and Questioned Costs, Continued
December 31, 2001

Section II Financial Statement Findings

Current Year Findings

No findings to report.

Prior Year Findings

No findings to report.

Section III Federal Award Findings and Questioned Costs

No findings to report.

LIVINGSTON PARISH SEWERAGE DISTRICT NUMBER ONE

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2001

Section I-Internal Control and Compliance Material to the Financial Statements:

No findings reported.

Section II-Internal Control and Compliance Material to Federal Awards:

No findings reported.

Section III-Management Letter:

No findings reported.

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LEROY J. CHUSTZ, CPA, APAC

P.O. BOX 158
DENHAM SPRINGS, LA 70727
225/667-2700
Fax: 225/667-3553

Livingston Parish
Sewer District Number One
Denham Springs, Louisiana

In planning and performing my audit of the financial statements of Livingston Parish Sewer District Number One, for the year ended December 31, 2001, I considered the District's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls, improving operating efficiencies, and reducing expenses. The memorandum that accompanies this letter summarizes my comments and recommendations regarding those matters. I previously reported on the District's internal control in my report dated May 8, 2002. A separate report dated May 8, 2002, contains my report on reportable conditions in the District's compliance with laws and regulations. This letter does not affect my report dated May 8, 2002, on the financial statements of Sewer District Number One.

I will review the status of these comments during my next audit engagement. I have already discussed these comments with the various District personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Yours very truly,

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
May 8, 2002

Livingston Parish
Sewer District Number One
Management Comments
December 31, 2001

1. *Work Order-Receipt Combination*

Presently the Ward Two Water District uses a receipt book to document the payment of special fees and a separate work order document to initiate the process of providing those special services to customers. Consequently there is no connection between the collection of those fees and the scheduling of services. Under the present system, a work order could be created and the service department be directed to provide services which have either not been paid for or for which the fees have been diverted. The Sewer District should consider requesting the Water District to create a multi-part document which will serve as both a receipt and a work order. This document should be sequentially numbered and produced in such a way that no employee could recreate the document by using a computer.

2. *Control over Sewer Service Fees*

The Ward Two Water District is contractually responsible for billing and collecting for Sewer Districts Number One and Two. As part of that responsibility, the Water District is responsible for collecting a \$25.00 service fee for sewer services billed by the City of Denham Springs. Under the present system, sewer customers who arrange for water and sewer services with the City of Denham Springs are requested to pay the \$25.00 service fee at Ward Two Water. There is no cross check of new sewer customers added by the City of Denham Springs and service fees paid to Ward Two Water. I recommend that someone be responsible for making a periodic comparison of new sewer customers added and service fees collected.

**LIVINGSTON PARISH SEWER DISTRICT ONE
P.O. BOX 1205
DENHAM SPRINGS, LOUISIANA 70727**

June 24, 2002

**Louisiana Legislative Auditor
Mr. Daniel G.Kyle, CPA, CFE
P.O. Box 94397
Baton Rouge, La 70804-9397**

Re: Audit 12-31-2001 Management Letter Response

Dear Mr.Kyle,

The following is a response to the Management letter rendered by our auditor Leroy J.Chustz, CPA on May 8, 2002, concerning several matters noted in the 12-31-2001 audit which will strengthen our internal controls for the future.

Item 1 regarding Work Order / Receipt combination:

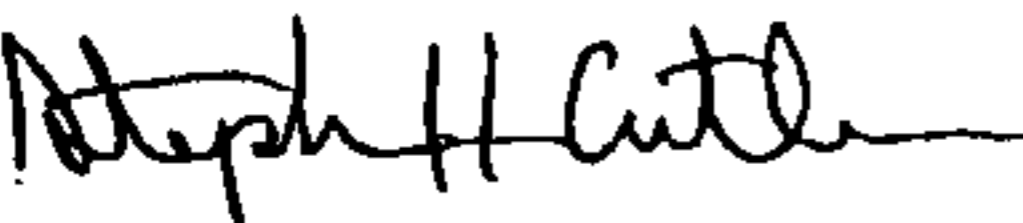
Our District is dependent upon the receipt process now being administered by the Ward Two Water District (our fund collection site). Our Manager has met in early June, 2002, with the Manager and Office Manager of Ward Two Water relating to devising an improved special fee collection method. The new procedure method (beginning in July, 2002) will now provide a multi-part receipt which documents work order information (customer name with a sewer tie in physical address along with notation if specific service fee is paid and date of payment by customer). The multi-part receipt will be distributed as follows: one to customer, one to Manager of Sewer District for service action, and several for the office staff of the Ward Two Water District for payment reconciliation and proper billing. The Manager of the Sewer District will maintain on file all work orders received and track with date notation of the completed service tie ins for each receipted customer. This will also be used as a management tool for locate addresses in the future for further needed service work since these services are for new customers to the existing system.

Page 2

Item 2 regarding control over sewer service fees:

Our District currently relies on the City of Denham Springs Utilities Department to collect a limited number of special service fees (a \$25 customer tap fee for sewer service customers which use the City of Denham Springs water system). The volume of new customers that are in this category reflect a limited number within our sewer district boundaries. The majority of our customers are presently using water service from the Ward Two Water District. A new process whereby the City of Denham Springs will collect and timely remit to the Sewer District these selected service fees is being proposed to the Mayor of Denham Springs at a meeting scheduled for June 28, 2002. The District is requesting that the City collect from the new customer the \$25 fee versus the customer having to travel to another location at the Ward Two Water District office for the same payment. The new procedure will also provide the address of the service, date of payment, and type of payment for Sewer Management to properly track customer completed services with tap fee payments. Dependant upon the cooperation with the City of Denham Springs Utilities Department, this method could be operational by August, 2002.

Respectfully Submitted,

✓ 

**Steve Cutler, President
Livingston Parish Sewer District 1**